

BILL # SB 1003

TITLE: income tax exemption; stillborn children

SPONSOR: Jarrett, et al

STATUS: As Introduced

REQUESTED BY: Senate

PREPARED BY: Hans Olofsson

FISCAL ANALYSIS

Description

Beginning in tax year 2004, this bill would create an individual income tax exemption in the amount of \$2,300 for a taxpayer that receives a "Certificate of Birth Resulting in Stillbirth" provided that the child would otherwise have been a member of the taxpayer's household. The taxpayer can claim the exemption only for the tax year in which the stillbirth occurred. The bill applies retroactively to taxable years beginning from and after December 31, 2003.

Estimated Impact

This bill would reduce General Fund individual income tax revenues between \$(34,000) and \$(51,000) in FY 2005 and each year thereafter.

Analysis

The Department of Health Services (DHS) reported that 627 stillbirths occurred in Arizona in Calendar Year (CY) 2002. According to DHS, of the 627 reported stillbirths in CY 2002, the department issued 417 "Certificates of Birth Resulting in Stillbirth."

If this bill had been effective in tax year 2002, it would have reduced actual state income tax revenues by \$(34,000). This number was derived by multiplying the average effective tax rate for tax year 2002 (3.53%) by the product of the number of certificates issued (417) and the exemption amount (\$2,300). While the actual revenue loss would have been \$(34,000), the potential impact to the state General Fund could have been as high as \$(51,000) if every eligible parent (a total of 627) had requested a certificate.

Assuming the same number of stillbirths (627) and certificates (417) in CY 2004 and CY 2005 as in CY 2002, we estimate the revenue loss in tax years 2004 and 2005 to be between \$(34,000) and \$(51,000) depending on the percentage of eligible parents requesting the certificate. From a budgetary perspective, the fiscal impact will not occur until FY 2005 and FY 2006, respectively. While tax liability is accrued on a calendar year basis, final tax payments and refunds are not issued until the following calendar year.

DOR has estimated the impact of this bill to be \$(51,000) in FY 2005.

Local Government Impact

Each year incorporated cities and towns receive a percentage (15% in FY 2005 and FY 2006) of individual and corporate income tax collections from 2 years prior. Hence, the bill will reduce local government distributions by between \$(5,100) and \$(7,700) in both FY 2007 and FY 2008.